September 14, 2009

Three Years After eBay (2009) What do Patent Holders Need to Prove to Get an Injunction? What is the Significance of Competition Between the Parties?

Stacy B. Streur, DePaul University

Available at: https://works.bepress.com/stacy_streur/1/
Abstract:
The U.S. Supreme Court decision in eBay v. MercExchange, 547 U.S. 388 (2006), has had a significant and lasting impact on the process district courts use to analyze requests for permanent injunctive relief in patent infringement actions. It has not, however, had a significant and lasting impact on the outcome of those decisions. In the first year after the eBay decision there was a spike in the number of requests for injunctive relief that were denied; but, since that time, most jurisdictions have returned to the pre-eBay practice of generally, absent a compelling public interest concern, granting permanent injunctive relief against patent infringers.

Three Years After eBay (2009)
What Do Patent Holders Need to Prove to Get an Injunction?
What is the Significance of Competition Between the Parties?

The 2006 Supreme Court decision in eBay, Inc. v. MercExchange, L.L.C.\(^1\) marked a shift in how courts evaluate whether a patent holder, after proving infringement, is entitled to permanent injunctive relief. The result, initially, was that a number of decisions were issued denying injunctive relief. Since the essence of a patent holder’s rights is the right to exclude, commentators, at the time, expressed concern that the patent system’s ability to achieve its primary objective, to promote innovation, was in jeopardy; \(^2\) others observed that “the power (and, therefore, value) of patents has been diminished.”\(^3\)

---


\(^2\) Andrew Becherman Rodau, The Supreme Court Engages in Judicial Activism in Interpreting the Patent Law in eBay, Inc. v. MercExchange, L.L.C, 10 Tul.J. Tech. & Intell. Prop.165, 168 (2008) (“Removing the grant of property rights would not bring about an end to research and development activities, however, it would certainly reduce such activities. Investment in some research and development activities would decrease, particularly in technology areas such as pharmaceutical development, where large financial investments are required and the resulting product is incapable of being protected as a trade secret.”);

\(^3\) Vincenzo Denicolo, et. al., Revisiting Injunctive Relief: Interpreting eBay in High-Tech Industries with Non-practicing Patent Holders available at SSRN: http://ssrn.com/abstract=1019611, at page 7 (2007)(“Certainly strategies deliberately aimed at creating holdup should not be tolerated. But in attempting to reduce what appears to be a fairly narrow problem we must be careful to avoid the very real danger of under-compensating innovation, and in the process, reducing the incentive to create more of it.”)

Several years later, it is clear that injunctions are still granted in the majority of cases. Since the eBay decision, there have been sixty-eight district court decisions to consider whether permanent injunctive relief should be granted in a patent infringement action. In sixteen of those cases, the plaintiff’s request for an injunction was denied. In fifty-two of those cases the request for an injunction was granted. Insofar as the right to exclude is not fully protected without a

---

4 May, 2006 through August 2009.
5 See attached Chart of Post-eBay Permanent Injunction Patent Cases.
corresponding right to an injunction, the denial-of-injunction cases are significant and many articles have been written about those cases. Interestingly though, a lot can be learned about the scope of equitable relief by considering the cases in which injunctions have been granted.

In most cases in which an injunction was granted, the court described the parties as competitors. In most cases in which the injunction was denied, the patent holder was described, not as a competitor, but, as a non-practicing entity or the patented item was a small component of the defendant’s product. This is true despite the eBay court’s warning against categorical rules.8

8 eBay, 547 U.S. at 393. (“Most notably, it [the District Court] concluded that a "plaintiff's willingness to license its patents" and "its lack of commercial activity in practicing the patents" would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue. But traditional equitable principles do not permit such broad classifications. …To the extent that the District Court adopted such a categorical rule, then, its analysis cannot be squared with the principles of equity adopted by Congress.”)
In an attempt to explain this anomalous trend, of granting injunctions based on whether the parties were competitors despite eBay’s statement that equitable relief should not be based on categorical rules, commentators theorized that rather than following the directive set out in the eBay majority opinion, courts were following the Kennedy Concurrence. John Golden, in 2007, described the decisions denying injunctive relief as being “in apparent lockstep to Justice Kennedy’s concerns about trolls.” But is that true? What are the implications of the district courts’ (and Federal Circuit’s) post-eBay decisions on the issue of injunctive relief? Is the “concern about trolls” directing the outcome of recent cases, or are other factors, like competition between the parties, driving the decisions on the issue of equitable relief? After eBay was there an initial swing in the direction of denying injunctive relief in patent infringement cases, followed by a slide back to the historic practice of granting injunctions?

In this article, I evaluate the post-eBay patent cases, with a dual focus on the issue of competition between the parties and the period of time in which the case was decided. Through this analysis I will demonstrate that, over time, there has been a progressively broader interpretation of what constitutes competition between the parties and a correspondingly broader

---

9 See, Christopher A. Cotropia, Comparative Patent Law: A Handbook of Contemporary Research, ch. Compulsory Licensing Under Trips and the Supreme Court of the United States’ Decision in eBay v. MercExchange, (forthcoming 2008 Toshiko Takenaka & Rainer Moufang eds., Edvary Elgar 2008) Electronic copy available at: http://ssrn.com/abstract=1086142 (“The courts all go through the four-factor analysis in an attempt to stay true to the holding in eBay. But the practical effect is that this single fact—lack of commercialization—dictates the result in most cases. This demonstrates a heavy reliance on Justice Kennedy's concurrence and potentially ignores the specific instruction in the majority opinion that such facts should not, by themselves, control the discretionary inquiry.”) See also, Vincenzo Denicolo, et. al., Revisiting Injunctive Relief: Interpreting eBay in High-Tech Industries with Non-practicing Patent Holders available at SSRN: http://ssrn.com/abstract=1019611 p.3 (Dec 3, 2007), “Instead of following the majority prescription, however, many district courts faced with injunction decisions in the wake of eBay appear to be focused on the minority opinion of Justice Kennedy.”


11 This review is limited to patent cases decided between May 2006 and August 2009 that cite the US Supreme Court decision eBay v. MercExchange, 547 U.S. 388 (2006), and in which the patent holder after proving infringement sought permanent injunctive relief.
view of what constitutes *irreparable harm* and *no adequate remedy at law*. I propose that the line of cases post-eBay in which equitable relief was denied, based on the patent holder’s failure to demonstrate irreparable harm, was a blip, similar to the one experienced after the Phillips decision; and, several years later, it appears that courts are returning to an interpretation of the law more consistent with the prior precedent of generally granting injunctions once a patent holder proves infringement.

Part I describes the Supreme Court decision in *eBay v. MercExchange*. Part II describes the term *competitor*. Part III describes the cases in which courts have granted injunctive relief, focusing on the time period in which the case was decided and the issues of *irreparable harm*, *inadequate remedy at law* and *competition between the parties*. Part IV describes the cases denying injunctive relief with a focus on the time period in which it was decided and the court’s basis for denying equitable relief. Part V identifies and describes the current trend, of generally granting injunctions once the patent holder proves infringement.

**I. In eBay v. MercExchange the U.S. Supreme Court Established the Criteria for Granting Permanent Injunctive Relief in Patent Infringement Cases**

Prior to the Supreme Court decision in *eBay v. MercExchange*, a finding of patent infringement routinely resulted in an award of permanent injunctive relief. The theory was, the patent gave the holder a right to exclude; therefore, the appropriate remedy was an injunction.

---

12 The cases are divided by the year that the decision on injunctive relief was issued. When there is both a district court decision and a Federal Circuit decision I used the date of the district court decision unless the Federal Circuit decision reversed the district court on the issue of injunctive relief then I used the date of the Fed. Cir. opinion.


14 *eBay, Inc.*, 547 U.S. 388.

15 Id.


17 George M. Newcombe, et. al., *Practitioner Note: Prospective Relief for Patent Infringement in a Post-eBay World*, 4 N.Y.U. J. L. & Bus. 549, Spring 2008. (“Because a patent offers its owner the right to exclude others from
In *eBay*, the Supreme Court rejected the implied assumption that patent cases should be treated differently than other cases and reaffirmed the general principle that an award of injunctive relief in a patent case, as in any other, is subject to an analysis of the facts of the case in light of the elements of the traditional four-factor test.

According to well-established principles of equity, a plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.18

In *eBay*, MercExchange owned various patents on methods for conducting on-line sales, including U.S. Patent No. 5,845,265 (“the ‘265 patent”). eBay operated (and still operates) a popular web-site for conducting on-line sales. MercExchange attempted to negotiate a license with eBay for the use of its patented technology but the negotiations failed.19 Later, MercExchange sued eBay (and others) for patent infringement and the jury found the ‘265 patent valid and infringed by eBay.20 The District Court, after considering the four-factor test, denied injunctive relief.21

On appeal, the Federal Circuit reversed the district court decision, holding, “we, therefore, see no reason to depart from the general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.”22

---

18 *eBay*, 547 U.S. at 390.
19 *eBay*, 547 U.S. at 390.
21 Id. at 722.
The U.S. Supreme Court decision overruled the Federal Circuit’s holding that injunctive relief should be granted as a general rule upon a finding of infringement; but at the same time it rejected the District Court’s method of applying the four factor test,

Although the District Court recited the traditional four-factor test, 275 F.Supp.2d, at 711, it appeared to adopt certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases. Most notably, it concluded that a "plaintiff's willingness to license its patents" and "its lack of commercial activity in practicing the patents" would be sufficient to establish that the patent holder would not suffer irreparable harm if an injunction did not issue. But traditional equitable principles do not permit such broad classifications. 24

In addition to Justice Thomas’ majority opinion, there were two concurring opinions.

Chief Justice Robert’s concurrence, emphasized the historic practice of granting injunctions in the “vast majority of cases,”25 and opined that courts today should continue to evaluate patent infringement cases in accordance with long established precedent.26 Justice Kennedy’s concurrence27, agreed that “history may be instructive,”28 but raised certain concerns,

An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees. For these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent…When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest.29

---

24 eBay Inc. 547 U.S. at 393, citing MercExchange LLC, 275 F.Supp. at 712.
25 eBay, 547 U.S. at 395.
26 eBay, 547 U.S. at 395.
27 eBay, 547 U.S. at 395.
28 eBay, 547 U.S. at 396.
29 eBay, 547 U.S. 388.
II. The Significance of Competition Between the Parties in the Context of Equitable Relief

In evaluating the first two prongs of the four factor test for equitable relief, whether the plaintiff will suffer irreparable harm if the injunction does not issue and whether there is an adequate remedy at law, the post-eBay courts relied heavily on the degree of competition between the parties.\(^\text{30}\) As stated in True Position,

The eBay court specifically cautioned against the application of categorical rules, classifications and assumptions in these analyses. Nevertheless, courts, presumably struggling to balance the absence of a presumption of irreparable harm with a patentee's right to exclude, have frequently focused upon the nature of the competition between plaintiff and defendant in the relevant market in the context of evaluating irreparable harm and the adequacy of money damages.\(^\text{31}\)

If the parties are described as direct competitors the first two factors will weigh heavily in favor of the plaintiff and absent compelling hardship or a public interest concern an injunction will issue.\(^\text{32}\) According to one commentator, “the emerging general rule appears to be that a patentee who competes in the market with the adjudged infringer will likely be awarded a permanent injunction while a patentee who does not compete with the infringer, but merely licenses its intellectual property, will likely not be awarded a permanent injunction.”\(^\text{33}\) The Federal Circuit has gone so far as to say that “the essential attribute of a patent grant is that it


\(^{32}\) Id. at 531(perm. inj. granted, “Courts awarding permanent injunctions typically do so under circumstances where plaintiff practices its invention and is a direct market competitor.”)

\(^{33}\) George M. Newcombe, Practitioner Note: Prospective Relief for Patent Infringement in a Post eBay World, 4 N.Y.U. J. L. & Bus. 549( Spring, 2008).
provides a right to exclude competitors [emphasis added] from infringing the patent.”\textsuperscript{34} In fact, the statute confers on patent holders the right to exclude others.\textsuperscript{35}

Some experts question the emphasis on the issue of whether the parties are competitors in the market place, and the view that injury to a competitor is irreparable. They ask why, for example, loss of market share is not quantifiable.\textsuperscript{36}

Since determining who qualifies for an injunction depends largely on how the court views the competitive relationship between the parties; defining the term competitor would add predictability to patent litigation and clarify the scope of injunctive relief. However, there is little discussion in the case law about what constitutes competition between the parties.

In an unusually explicit opinion, the court in Broadcom,\textsuperscript{37} expressly addressed the issue of competition and identified two distinct types of competition between the parties. With regard to certain of the infringed patents, Broadcom and Qualcomm both offered the products embodying the patent. Plaintiff and defendant shared the same customers, thus the parties were

\textsuperscript{34} Acumed LLC v. Stryker, Corporation, 551 F.3d 1323, 1327-1331(Fed. Cir. 2008) (“We agree with Acumed that the district court did not abuse its discretion. The essential attribute of a patent grant is that it provides a right to exclude competitors from infringing the patent. 35 U.S.C. 154(a)(1)(2000). In view of that right, infringement may cause a patentee irreparable harm not remediable by a reasonable royalty.”).

\textsuperscript{35} 35 U.S.C. 154(a)(1)(2000), (“Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others [emphasis added] from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.”).

\textsuperscript{36} Douglas Ellis, The Economic Implications (and Uncertainties) of Obtaining Permanent Injunctive Relief After eBay v. MercExchange, 17 Fed. Cir. B.J. 437, 446 (2007 – 2008)(“Normal business losses, however, are not per se incalculable. In fact, there is a whole industry of economists, financial analysts and accountants who regularly calculate damages associated with lost sales, loss of market share and lost profits, for example. And courts regularly accept these calculations. Many of these same calculations are used in the business world to forecast or predict various performance metrics and to value assets, liabilities, projects and other potential investment opportunities--billions of dollars are spent on the basis of these types of calculations. Done carefully, these calculations can be reliable. The fact that the impact of the loss of an asset may be challenging to estimate does not mean it is impossible.”)

in direct competition ("product competition"). With regard to certain other infringed patents, Broadcom was not offering a product that embodied the patented technology, but the court, nonetheless, considered the parties competitors.\(^{38}\) "That Broadcom does not currently offer plug-for-plug replacements for Qualcomm’s CDMA chips may affect the degree of competition, but it does not change the fact that both firms compete in the same market ("market competition")."\(^{39}\)

In analyzing the issue of irreparable harm with regard to market competition, the court held, “One need not necessarily be a direct competitor in order to secure an injunction,\(^{40}\) … In addition, there is injury to Broadcom’s right to enforce its exclusionary right to manage its patent portfolio in accordance with its chosen strategy.”\(^{41}\)

### III. Post eBay Cases Granting Injunctive Relief Based on Irreparable Injury and No Adequate Remedy at Law

Prior to the Supreme Court decision in eBay v. MercExchange,\(^{42}\) lower courts, considering whether to grant equitable relief often held, that proof of infringement gave rise to a presumption of **irreparable harm and no adequate remedy at law.**\(^{43}\) In fact, some believed that it


\(^{39}\) Id. at *9.

\(^{40}\) Id. at 15, citing eBay 547 US at 393; Commonwealth Scientific and Industrial Research Organization v. Buffalo Technology Inc., 492 F.Supp. 2d 600, 605 (E.D. Tex. 2007).


\(^{42}\) eBay, 547 U.S. 388.

was an irrebuttable presumption.\textsuperscript{44} The U.S. Supreme Court’s eBay decision, requires that courts evaluating whether to grant a permanent injunction provide a factual and legal analysis for each of the prongs of the traditional four factor test for equitable relief.\textsuperscript{45} Courts must separately analyze whether the plaintiff would suffer \textit{irreparable harm} if the injunction did not issue, and whether there is \textit{no adequate remedy at law}. Consequently, the opinions are detailed; but, due to the inherent overlap between the facts that courts rely on to show \textit{irreparable harm} and the facts that courts rely on to show \textit{no adequate remedy at law}, the decisions are sometimes awkward.

Some district court judges have expressly acknowledged the overlap.\textsuperscript{46} In \textit{Smith and Nephew} the court opined, “Although stated as two separate factors under eBay, the irreparable harm requirement contemplates the inadequacy of alternate remedies available to the plaintiff.”\textsuperscript{47}

Another district court held that, “by definition irreparable injury is that for which compensatory

\textsuperscript{44} Gretchen S. Sween, Ph.D., J.D., \textit{Who's Your Daddy? A Psychoanalytic Exegesis of the Supreme Court's Recent Patent Jurisprudence}, 7 Nw. J. Tech. &. Intell. Prop. 204, 210 (2009)(“In any event, the eBay petitioner and many \textit{amici} who urged the Court to hear the appeal effectively characterized the case so as to arouse the Court's ire against the Federal Circuit and the latter's view that proving infringement created a virtually irrebuttable presumption that an injunction would issue. And the strategy worked.”).

\textsuperscript{45} eBay, 547 U.S. 388; \textit{but see}, Rosco, Inc. v. Mirror Lite Co., No. CV-96-5658 (CPS), 2006 U.S. Dist. LEXIS 73366, at *2-14 (E.D.N.Y. Sept. 28, 2006) (perm. inj. granted, the court, though acknowledging the eBay decision, gave cursory review of the four equitable factors and relied primarily on general notions of equity and fairness as well as the public interest in finding that an injunction should issue.); Mannatech, Inc. v. Glycoproducts Intl., Inc., No. 3-06-CV-0471-BD, 2008 U.S. Dist. LEXIS 52537, at 13-17 (N.D. Tex. July 9, 2008) (perm. inj. granted, defendant presented no opposition to Plaintiff’s request for injunctive relief and so such relief was granted.) .

\textsuperscript{46} Funai Elec. Co., Ltd. v. Daewoo Elecs. Corp., 593 F. Supp. 2d 1088, 1110-1112 (N.D. Cal. 2009) (After identifying the reasons that the Plaintiff would suffer irreparable harm without the injunction the court states, “for the same reasons, remedies available at law are not adequate to compensate Funai for Daewoo's infringement.”)

\textsuperscript{47} TradingTechs. Int'l, Inc. v. eSpeed, Inc., No. 04 C 5312, 2008, U.S. Dist. LEXIS 86953, at *2-14 (N.D. Ill. May 22, 2008) (perm. inj. granted, “a consideration of this factor [whether there is an adequate remedy at law] overlaps considerably with that of irreparable injury, in that an inadequate remedy at law can cause irreparable harm.” MGM Studios, 518 F. Supp. 2d at [1197],1219, \textit{quoting} MercExchange, 500 F. Supp. 2d [556],582 (2007))([district courts analysis on remand from the U.S. Supreme Court, ])[T]he requisite analysis for the second factor of the four-factor test inevitably overlaps with that of the first.”).

\textsuperscript{41} Smith & Nephew, Inc. v. Synthes (U.S.A.), 466 F. Supp. 2d 978, 983-984 (WD. Tenn. 2006) (perm. inj. granted) citing Canadian Lumber, 441 F. Supp. 2d 1259, 2006 Ct. Intl. Trade LEXIS 103, at *12 (“Under the principles of equity to which the Court referred throughout its opinion in eBay, irreparable harm means "that unless an injunction is granted, the plaintiff will suffer harm which cannot be repaired.” 441 F. Supp. 2d 1259, 1264, at *12 (quoting Studebaker Corp. v. Gittlin, 360 F.2d 692, 698 (2d Cir. 1966))).
damages are unsuitable. Thus, in my analysis, I often address the first and second factors of the four-factor test together.

In the first twelve months after eBay (May 2006 through April 2007) there were twenty patent cases granting permanent injunctive relief. In the second twelve months (May 2007

---


through April 2008) there were thirteen decisions granting permanent injunctive relief. In the most recent twelve month period (May 2008 through April 2009) there were fifteen cases granting permanent injunctive relief. In most post-eBay decisions granting injunctive relief, the


parties were described as competitors, with the concept of competition growing broader over time.

In the first twelve months after eBay, courts relied heavily on direct competition between the parties in granting equitable relief. The holding in Visto, Corp. v. Seven Networks, Inc. (E.D. Tex. 2006) is representative of those cases. In Visto, the parties were direct competitors in the mobile email market. The Visto court, citing TiVo and finding irreparable injury, held, “The parties to this case are direct competitors, and this fact weighs heavily in the court’s analysis.

Intellectual property enjoys its highest value when it is asserted against a direct competitor in the plaintiff’s market. Judge Folsom found irreparable harm because ‘the availability of the infringing products leads to loss of market share for plaintiff’s products.’"
Additionally, during this period (May 2006 through April 2007), as reflected in *TransOcean*, S.D.Tex. 2006 a finding of direct competition between the parties, in the form of shared customers, generally resulted in an expansive definition of *inadequate remedy at law*.

The court is persuaded that if it does not enter a permanent injunction, it will force a compulsory license on Transocean that will not contain any of the commercial business terms typically used by a patent holder to control its technology or limit encroachment on its market share.  

Rejecting the defendant’s argument that the Kennedy concurrence in *eBay* should be interpreted to prohibit the issuance of an injunction in this case, the court reasoned that the portion of the Kennedy concurrence relating to licensing and component parts is strictly limited to situations in which the plaintiff was willing to license and the technology was but a small component of the

---


56 *Transocean*, 2006 U.S. Dist. LEXIS 93408 at *12 (plaintiff was the exclusive licensee of the apparatus and method patents related to deep water oil rigs. The defendant admitted that the parties shared the same customers, the court concluded that the parties were direct competitors, and that without an injunction the plaintiff would suffer loss of market share and denial of its right to exclude constituting irreparable harm.).

57 *Transocean*, 2006 U.S. Dist. LEXIS 93408 at *19. See *Also, Visto*, 2006 U.S. Dist. LEXIS 91453 at *13 (With regard to its determination that monetary damages would not be an adequate remedy, the court held that an approximation of the loss that would be suffered without an injunction is not a suitable alternative to an injunction.); *Smith & Nephew, Inc. v. Synthes (U.S.A.)*, 466 F. Supp. 2d 978, 981-985 (WD. Tenn. 2006) (perm. inj. granted), *appeal dismissed by agreement of the parties*, No. 2007-1048, 2008 U.S. App. LEXIS 4889 (Fed. Cir. Feb. 22, 2008); (“Monetary damages generally are not an adequate remedy against future infringement because the central value of holding a patent is the right to exclude others from using the patented product…. It is the purpose of an injunction to prevent future violations. Indeed, the entire purpose of an injunction is to take away defendant’s discretion not to obey the law.”); *800 Adept, Inc. v. Murex Secs., Ltd.*, 505 F. Supp. 2d 1327, 1335-1338 (M.D. Fla. 2007) (perm. inj. granted, parties were competitors, “defendant’s infringement impacted and would continue to impact the shape of the market.” Plaintiff would suffer irreparable harm unless it was granted injunctive relief.); *MPT, Inc. v. Marathon Labels, Inc.*, 505 F. Supp. 2d 401, 423 (N.D. Ohio 2007) (def. liable for contributory infr. perm. inj. granted “Marathon’s customers infringed MPT's patent when they used Marathon’s Smart Surface Placard product.” Both the plaintiff and defendant manufactured and sold the Teflon surface for writing on.).

---
defendants product.\textsuperscript{58} The \textit{Visto} court offered a similarly broad reading of what constitutes lack

of an adequate remedy at law when the parties are competing for the same customers,

Although future damages may compensate \textit{Visto} for an \textit{approximate} loss, that
does not make them adequate in the sense that they are a suitable proxy for
injunctive relief. What makes legal remedies inadequate under the circumstances
of this case is the inability to calculate the plaintiff's future losses with precision.
An injunction against the continued use of the plaintiff's intellectual property is
the proper remedy to prevent future infringement.\textsuperscript{59}

Toward the end of the first twelve month period after eBay, the District of Delaware,
U.S. Circuit Judge Kent A. Jordan, seemed to expand the definition of what constitutes
competition between the parties when he granted injunctive relief in \textit{Novozymes}\textsuperscript{60} (Dist of Del.
2007). In that case, the patent holder had a non-exclusive license with one of its subsidiaries
which was practicing the patent. The plaintiff, sought to join its subsidiary as a co-plaintiff but
the court held that the subsidiary did not have standing because its license was non-exclusive.
Nonetheless, the court held that Novozymes, the licensor /patent holder, and defendant, the
infringer, were “head-to-head competitors.”\textsuperscript{61} “Even though Novozymes does not market the
alpha amylases itself it has suffered harm beyond the reasonable royalty that it can recover from

\textsuperscript{58} Transocean Offshore Deepwater Drilling, Inc. v. Global SantaFe Corp., No. H-03-2910, 2006 U.S. Dist. LEXIS
29, 2006) (perm. inj. granted, the parties shared the same customers and the court, citing Reebok Intern. Ltd. v. J.
Baker, Inc., 32 F.3d 1552, 1557 (Fed. Cir. 1994), held, “because the principal value of a patent is its statutory right
to exclude, the nature of the patent grant weighs against holding that monetary damages will always suffice to make
the patentee whole.”). \textit{See also}, Telequip Corp. v. Change Exch., No. 5:01-CV-1748 (FJS/GJD), 2006 U.S. Dist.
LEXIS 61469, at *4 (N.D.N.Y. Aug. 15, 2006) (perm. inj. granted, “the principal value of a patent is its statutory
right to exclude.
\textsuperscript{60} Novozymes A/S v. Genencor Int'l Inc., 474 F. Supp. 2d 592, 613 (D. Del. 2007) (perm. inj. granted);
\textsuperscript{61} No Novozymes A/S v. Genencor Int'l Inc., 474 F. Supp. 2d 592, 612(D. Del. 2007) (perm. inj. granted); \textit{But see}, Voda
inj. denied, “any harm would have been directed at plaintiff’s licensee, Scimed, not plaintiff…. Moreover, other than
the presumption of irreparable harm, plaintiff identifies no harm to himself; rather, he relies on alleged harm to a
non-party, Scimed.”).
defendants and Novozymes will continue to suffer such irreparable harm if defendants are not enjoined.\textsuperscript{62}

Additionally, the court noted that “Novozymes has a right, granted by Congress, not to assist its rival with the use of proprietary technology.” \textsuperscript{63} The defendant argued that under eBay the loss of the right to exclude could not be irreparable harm, but the Novozymes court disagreed,

Contrary to Genencor's argument, the Supreme Court in eBay did not state that loss of the right to exclude could not be irreparable harm. Rather, the Court simply rejected the proposition that the patentee's right to exclude should always lead to injunctive relief for patent infringement. \textsuperscript{64}

Also, toward the end of the first year post-eBay, the Marathon v. MPT,\textsuperscript{65} Court noted that the public interest supports an injunction. “There is a general public interest in favor of strong patent protection, except in cases where an obvious public interest such as public health and safety exists.”\textsuperscript{66}

Through the next twelve-month, post-eBay, period (May 2007 through April 2008), the courts’ view of what constituted sufficient evidence of irreparable harm began to expand; but direct competition between the parties remained the principle basis for granting injunctive relief.

As the court held in Muniauction,\textsuperscript{67} (W.D. Pa. 2007) “plaintiff and defendant are direct competitors in a two-supplier market. If plaintiff cannot prevent its only competitor's continued

\textsuperscript{62} Id. at 612.
\textsuperscript{63} Id. at 613.
\textsuperscript{64} Id. at 612
\textsuperscript{66} Id. at 423.
infringement of its patent, the patent is of little value.”68 In *Johns Hopkins*,69 the court held, that defendant's “product competes directly with the plaintiff's product. In fact, it is the only competition and thus, its sale reduces the plaintiff’s market share. Continued sales by [defendant] will irreparably harm the plaintiff.”70 In *Martek Biosciences Corporation*71 (D. Del. 2007) the court held, “Lonza is Martek’s only competitor in the vegetarian DHA market for adult foods and beverages and is targeting Martek’s customers in that industry…if Lonza is not enjoined from infringing the '594 and '281 patents, it [Martek] is likely to lose market share that it may not be able to recapture.”72 In *Brooktrout, Inc.*73 (E.D. Tex. 2007), decided by U.S. Dist. Judge T. John Ward, the parties were direct competitors in the fax server board market, and the court granted injunctive relief citing the loss of market share as a basis for finding irreparable harm.

Additionally, although future damages in lieu of an injunction may compensate Brooktrout for an *approximate* loss, that does not make future damages adequate in the sense that they are a suitable proxy for injunctive relief. The inability to calculate the plaintiff's future loss with reasonable precision makes legal remedies inadequate in this case. An injunction against future acts of inducement is the proper remedy to prevent future infringement. 74

For the same basic reasons, Judge Ward found that there was no adequate remedy at law.75

---

68 Muniauction, Inc. 502 F. Supp. 2d at 482.
70 Id. at 586, *See also*, Baden Sports, Inc. v. Kabushiki Kaisha Molten, No. C06-210MJP, 2007 U.S. Dist. LEXIS 70776, at *2-10 (W.D. Wash. Sept. 25, 2007) (perm. inj. granted, the court found that the parties were direct competitors in the sports ball industry. Molten’s dual cushion basketball was found to infringe Baden’s patented technology and the court granted an injunction. Both irreparable harm and inadequate remedy at law were based on the lost goodwill of customers and retailers, and damage to Baden’s reputation as an innovator in the basketball market.).
74 Brooktrout, 2007 U.S. Dist. LEXIS 43107, at *5
75*Brooktrout, 2007 U.S. Dist. LEXIS 43107, at *5 *See also*, Visto Corp. v. Seven Networks, Inc., No. 2:03-CV-333-TJW, 2006 U.S. Dist. LEXIS 91453, at *13 (“What makes legal remedies inadequate under the circumstances of this case is the inability to calculate the plaintiff's future losses with precision. An injunction against the continued use of the plaintiff's intellectual property is the proper remedy to prevent future infringement.”).
During this second year after eBay (May 2007 through April 2008) a district court granted the first, post-eBay, permanent injunction in favor of a non-practicing entity in Commonwealth Scientific & Industrial Research Organization (“CSIRO”) (US Dist Ct. E.D.Tex. 2007). There, the plaintiff was described as the Australian equivalent of the National Institute of Health, and its activities included the development of technology that could be used to create start-up companies and/or for licensing to firms to earn commercial royalties. The court stated that the parties were not competitors, but found that the plaintiff would suffer irreparable harm without an injunction. The court reasoned that, the inability to enforce the patent against one infringer, significantly increased the risk that other parties would be willing to risk infringing the patented technology. In discussing the Kennedy concurrence this court specifically stated, this “is not the situation that concerned Justice Kennedy; Buffalo’s infringing use of CSIRO’s technology is not limited to a minor component of the technology. The ‘069 patent is the core technology.”

Toward the end of the second year after eBay (May 2007 through April 2008) one district court further expanded the post-eBay scope of irreparable harm. In Fresenius Med. Care Holdings, Inc. (N.D. Cal. 2008) the plaintiff sued Baxter for declaratory judgment. This court acknowledged the economic value of the right to exclude. “Without the right to obtain an injunction, the right to exclude granted to the patentee would have only a fraction of the value it was intended to have, and would no longer be as great an incentive to engage in the toils of

---

scientific and technological research.” The Fresenius court further held that “loss of goodwill, reputation for innovation, the legal right to exclude, including the right to control the terms of any licensing arrangement, are all forms of irreparable injury that cannot be easily and readily quantified through a simple monetary award.

During the most recent twelve month post-eBay period, (May 2008 through April 2009) direct competition between the parties continued to be the principle basis for courts finding that there was irreparable harm and no adequate remedy at law; but the scope of what qualified as competition between the parties and irreparable harm continued to grow.

---


81 See, Sensormatic Elecs. Corp. v. Tag Co. US, LLC, 2008 U.S. Dist. LEXIS 102690, at *81-84 (S.D. Fla. Dec. 19, 2008) (perm. inj. granted, court held that without an injunction Plaintiff would suffer irreparable injury, “because only two companies sell AM EAS labels in the United States, each sale of a Series 58 label [defendants] is likely a foregone sale of a Sensormatic label.”); Becton Dickinson & Co. v. Tyco Healthcare Group LP, CIVA No. 02-1694 GMS, 2008 U.S. Dist. LEXIS 87623, at *1-17 (D. Del. Oct. 29, 2008)(perm. inj. granted, court found that there would be irreparable injury based on the fact that, “Plaintiff and defendant are direct competitors in the single handed shielding safety needle market.”); True Position v. Andrew Corp., 568 F. Supp. 2d 500, 530-532 (D. Del. 2008) (perm. inj. granted, the defendants system for locating cellular phones infringed Plaintiff’s patent. In finding that the plaintiff suffered irreparable injury the court reasoned, “Plaintiff and defendant are the only two competitors for UTDOA/SDCCH technology worldwide...Therefore, a sale to defendant is the loss of a sale to plaintiff.”); Amgen, Inc. v. F. Hoffman La Roche Ltd., No. 05-12237-WGY, 2008 U.S. Dist. LEXIS 77343, at *127-181 (D. Mass. Oct. 2, 2008); (perm. inj. granted, the parties were direct competitors and therefore any sales to the defendant would be to the exclusion of Amgen so that Amgen would be at risk of incalculable lost profits, market share and goodwill.). Funai Elec. Co., LTD. v. Daewoo Elecs. Corp., 593 F. Supp. 2d 1088, 1110-1112 (N.D. Cal. 2009)(perm. inj. granted, the parties were direct competitors, competing for Target’s business. As direct competitors the court concluded that Plaintiff would suffer loss of market share and “the right to exclude that a patent is intended to afford.”); U.S Philips Corp. v. Iwasaki Elec. Co., 03 Civ. 0172 (PKC), 2009 U.S. Dist. LEXIS 6869, at *28-30 (S.D.N.Y. Jan. 13, 2009) (perm. inj. granted, despite the fact that the patent term was about to expire the injunction was granted on the grounds that the parties were competitors and the “Plaintiff had suffered significant price erosion.”).
In *Trading Techs. Int'l, Inc.* (“TT”)\(^{82}\) (N.D. Ill. 2008) the court explained why the loss of market share is an irreparable injury. According to the *TT* court, market share is one of the patent holder’s most valuable assets, “erosion of this intangible asset would cause incalculable extraneous injury to TT’s business. Therefore, the continuing existence of eSpeed’s infringing products in the same marketplace as TT's products poses a risk of irreparable harm to TT.” \(^{83}\)

In October of 2008, the *Amgen*\(^{84}\) court identified an injury not discussed in previous cases. That court concluded, without an injunction the value of the Amgen stock would be in jeopardy. According to the court loss of *value of its stock* would result in loss of investment capital to pursue research and development.\(^{85}\) In addition, the Amgen court recognized the risk that allowing the defendant to continue to infringe would invite other infringers and likely result in significant legal fees to enforce the patent.

In November of 2008, the *Callaway Golf Co.* \(^{86}\) Court further enlarged the definition of competition, and thereby, the scope of granting injunctive relief. Despite the fact that there were multiple competitors in the three layer golf ball market, the court found sufficient evidence that plaintiff suffered irreparable harm. According to the court, “a credible case can be made that, had


\(^{85}\) Amgen, Inc. v. F. Hoffmann La Roche Ltd., No. 05-12237-WGY, 2008 U.S. Dist. LEXIS 77343, at *135* (“The Federal Circuit has ‘long acknowledged the importance of the patent system in encouraging innovation. Indeed, the encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude.’ Importantly, the patent system provides incentive to the innovative drug companies to continue costly development efforts. The evidence in this case confirmed the Federal Circuit’s evaluation of the importance of the right to exclude as an incentive for investment.”).

defendant not launched the Pro V1(R) ball in late 2000, a large number of its tour players may have switched to the Rule 35(R) ball in January 2001.”

In addition, the Callaway court rejected the notion that willingness to license was a sufficient basis to prove that monetary damages would be an adequate remedy. In fact, the plaintiff’s golf ball, that embodied the patented technology, also contained patented technology owned by the defendant and licensed to plaintiff in a cross-licensing arrangement. The court held that monetary damages would not be an adequate remedy.

Although plaintiff’s willingness to forgo its patent rights (generally) for compensation may be inconsistent with the notion that money damages are inadequate, it is certainly not a dispositive factor…. In this regard, of utmost import in the context of evaluating irreparable harm and the adequacy of money damages is the nature of the competition between plaintiff and defendant in the three-piece golf ball market.

In December of 2008, the Federal Circuit offered its perspective on the issue of whether a patent holder’s willingness to license could be a basis for finding that monetary damages are an adequate remedy. In Acumed v. Stryker, the court held,

The essential attribute of a patent grant is that it provides a right to exclude competitors from infringing the patent. 35 U.S.C. s 154(a)(1)(2000). In view of that right, infringement may cause a patentee irreparable harm not remediable by a reasonable royalty. While the fact that a patentee has previously chosen to license the patent may indicate that a reasonable royalty does compensate for an

---

87 Id. at 621 (“ It is impossible to tell whether, absent the Pro V1(R) ball, plaintiff would have gained the momentum (via the Rule 35(R) ball) to become the market leader itself, or merely gained a more favorable position than it presently has…. Plaintiff was already a market leader of golf equipment, and was poised to compete in the developing multi-layer ball market. History cannot be rewritten such that plaintiff expanded its customer base and improved its market position via its Rule 35(R) ball, and/or reaped the benefits of good will and reputation associated with manufacturing the leading golf ball during this critical time period. Put another way, there is sufficient evidence of irreparable harm.”).

88 Id. at 620.

89 Id. at 621. See also, Kowalski v. Mommy Gina Tuna Res., No. 05-00679-BMK, NO. 05-00787-BMK, and NO.06-00182-BMK (consolidated), 2009 U.S. Dist. LEXIS 26216, at *2-6 (D. Haw. Mar. 30, 2009) (perm. inj. granted, “the patent holder, Mr. Kowalski has a right to license without having to pursue litigation, or if he chooses to produce his invention himself, he has the right to do so unhampered by infringing competitors.” In support of its decision the court cited Reebok Int’l v. J. Baker, Inc., 32 F.3d 1552, 1557 (Fed. Cir. 1994)”[b]ecause the principal value of a patent is the statutory right to exclude, the nature of the patent grant weighs against holding that monetary damages will suffice to make the patentee whole.”).

infringement; that is but one factor for the district court to consider. The fact of
the grant of previous licenses, the identity of the past licensees, the experience in
the market since the licenses were granted, and the identity of the new infringer
all may affect the district court's discretionary decision concerning whether a
reasonable royalty from an infringer constitutes damages adequate to compensate
for the infringement.91

In February of 2009, Joyal,92 (D.N.J. 2009), the district court in New Jersey gave
irreparable harm and competition between the parties their most expansive reading to date. In
that case, plaintiff was a defunct business in the process of liquidating its assets. The patent
holder argued that the parties were competitors and that without the injunction it would suffer
irreparable harm in that it would not be able to obtain the maximum value for that asset. In
granting the permanent injunction, the court reasoned that anything less than a permanent
injunction would damage the value of the patent; the “principal value of a patent is its statutory
right to exclude.”93 Later in discussing the issue of whether there was an adequate remedy at
law the court held,

As Joyal is no longer conducting business, it wishes to divest itself of this asset.
It justifiably expects to be able to sell that asset for maximum value. Joyal's
ability to obtain the maximum value from the sale - indeed, the very ability to sell
the patent at all - will be materially impaired if Johnson is permitted to continue to
produce and sell infringing products in the United States.94

91 Id. at 1328.
*29-37 (D.N.J. Feb. 26, 2009) (perm. inj. granted, patent holder not going concern)
Abbott Labs., 849 F.2d 1446, 1456-57 (Fed. Cir. 1988)).
94 Joyal, 2009 U.S. Dist. LEXIS 15531, at *33.
IV. Post-eBay Cases Denying Injunctive Relief Based on Irreparable Harm and No Adequate Remedy at Law are Diminishing

In the first twelve months after the eBay (May 2006 through April 2007), there were twenty-eight decisions addressing the issue of permanent injunctive relief, of those eight (twenty-nine percent) resulted in a denial of injunction based on the patent holders failure to demonstrate irreparable harm. In the second twelve months (May 2007 through April 2008), there were sixteen permanent injunction decisions with three resulting in denials, but none were based on the patent holders failure to demonstrate irreparable harm or no adequate remedy at law. In the most recent twelve months (the third year after eBay, May 2008 through April 2009), there were twenty permanent injunction decisions with five denials, but only two of those

---


denials were primarily based on the patent holders failure to demonstrate irreparable harm (ten percent).  

The eight denial-of-injunction decisions from the first year post-eBay (May 15, 2006 to May 15, 2007), were all based on the plaintiff’s failure to demonstrate that it would suffer irreparable harm in the event that an injunction did not issue. Two of those decisions, IMX and Praxair, District of Delaware decisions written by U.S. District Judge Robinson, were issued without prejudice; but subsequently Judge Robison definitively characterized the two cases as denial-of-injunction cases.

One of the early post eBay denial cases was Paice L.L.C. v. Toyota Motor Corporation (E.D. Tex. 2006). There, the patented technology was a hybrid electric vehicle train, a component of the hybrid automobile engine; and the defendant’s hybrid automobile engine

---


98 See supra note 95.

99 IMX, Inc. v. Lendingtree, LLC, 469 F. Supp. 2d 203, 223-226 (D. Del. 2007) (perm. inj. denied without prejudice);


101 TruePosition v. Andrew Corp. 568 F. Supp. 2d 500, 532 (D. Del. 2008) (“As this court’s prior jurisprudence has established a plaintiff must forward sufficient proof of market competition and or market harm vis-à-vis the broad scope of the relief requested. See IMX, Inc. v. LendingTree, LLC, 469 F. Supp. 2d 203, 226 (D. Del. 2007) (declining to grant permanent injunction "[a]bsent any specific information regarding the effect of defendant’s infringing operation of the Lending Tree Exchange on plaintiff's business" such as "the effects of defendant's infringement on plaintiff's business and of a potential permanent injunction on the public and the marketplace"); Praxair, Inc. v. AMTI, Inc., 479 F. Supp. 2d 440, 443 (D. Del. 2007) (declining to grant permanent injunction where plaintiff and defendant were only two market competitors, where evidence indicated that sales of the patented technology accounted for low percentages of each party's business, and plaintiff did not "provide or describe any specific sales or market data to assist the court, nor did it identify precisely what market share, revenues, and customers lost to defendant").

infringed. In Paice, the district court applied the four-factor test and found that plaintiff failed to demonstrate irreparable harm.\textsuperscript{103} After considering the parties arguments,\textsuperscript{104} the district court held that Toyota’s continued sale of its hybrid automobile would not negatively impact plaintiff’s efforts to license its electric vehicle train. The Court reasoned that, since Paice does not manufacture automobiles, it was not at risk of losing name recognition or market share.\textsuperscript{105} Plaintiff argued that without an injunction he would suffer irreparable harm, in that he would not be able to successfully license his patented technology. In support of this claim, the plaintiff offered evidence of his failure to license thus far. The court rejected plaintiff’s argument, citing evidence in the record that plaintiff’s failure to license its technology may have been the result of misrepresentations and improper business tactics.\textsuperscript{106} The Federal Circuit affirmed.\textsuperscript{107}

As in Paice, the plaintiff in z4Technologies\textsuperscript{108} (E.D.Tex.,2006) was a non-practicing entity and the patented technology was a component of the adjudged infringer’s final product. Specifically, Microsoft’s Office and Windows software programs infringed the plaintiff’s product activation technology. In z4 Technologies, the court denied injunctive relief holding that, “Microsoft’s continued infringement does not inhibit z4’s ability to market, sell or license it’s patented technology…Microsoft does not produce product activation software.”\textsuperscript{109} Here plaintiff

\textsuperscript{103} Paice, 2006 U.S. Dist. LEXIS 61600, at *1-18 (perm. inj denied).
\textsuperscript{104} Paice, 2006 U.S. Dist. LEXIS 61600, at *1-18 (perm. inj denied) (Patent holder claimed that defendant’s infringement prohibited the it from developing its licensing program with other automobile manufacturers. In response defendant argued that the Plaintiff did not sell automobiles and the patent that was infringed made up “only a small component of the overall accused vehicles.” Further, defendant argued that there was no evidence supporting Plaintiff’s contention that its licensing program failed as a result of defendant’s automobile sales. Defendant alleged that there were other reasons that plaintiff’s licensing program failed.)
\textsuperscript{105} Paice, 2006 U.S. Dist. LEXIS 61600, at *2.
\textsuperscript{106} Paice, 2006 U.S. Dist. LEXIS 61600, at *2.
\textsuperscript{107} Paice, 2006 U.S. Dist. LEXIS 61600, at *2.
\textsuperscript{109} Id.
was a non-practicing entity, but the fact that the infringed technology was a component of the
defendant’s product was, again, arguably, equally significant.

A third decision, issued during this first year post-eBay, in which the patent holder was
denied injunctive relief based on his failure to demonstrate irreparable harm, was Amado\textsuperscript{110}
(C.D.Cal. Mar. 13, 2007). In Amado, the infringed patent was a point and shoot interface for
linking database records and spreadsheets. Microsoft incorporated the patented technology into
its software programs. That case was originally decided prior to eBay and the district court
awarded Amado an injunction. After the eBay decision, though, Microsoft requested
reconsideration of the injunction, and the District Court held that, under the dictates of eBay,
plaintiff had not met his burden for establishing irreparable harm; and the permanent injunction
was dissolved. The court reasoned,

Amado does not compete with Microsoft does not sell a product covered by the
patent and is no longer even attempting to commercialize or license the patent. Moreover, Amado's patent only covers a very small component of the infringing
products - claim 21, the only claim that the jury found Microsoft Office and
Access infringed, covers a single feature linking Access and Excel. See eBay, 126
S. Ct. at 1842 (Kennedy, J. concurring) ….Thus, Amado's injury can be
adequately compensated through monetary damages.\textsuperscript{111}

The Amado Court discussed the fact that plaintiff was not in the business of selling a product
covered by the patent, but also pointed out that the patent was a small component and plaintiff
was not trying to license the patented technology either.\textsuperscript{112}

Sundance, Inc.\textsuperscript{113} (C.D.Cal. Mar. 13, 2007), also decided during that first year post e-Bay,
is notable because the court first denied an injunction, then granted it, leading some

LEXIS 96487, at *30-40 (C.D. Cal. Mar. 13, 2007) (perm. inj. dissolved);
\textsuperscript{111} Amado, 2007 U.S. Dist. LEXIS 96487, at *39.
\textsuperscript{112} Amado, 2007 U.S. Dist. LEXIS 96487, at *39.
Jan. 4, 2007)(perm. injunction denied on reconsideration denial of injunction rev’d Sundance, Inc. v. DeMonte
commentators to categorize this case as an *injunction-granted* case.\footnote{Sundance is also interesting because its reasoning and holding conflict with those of a significant number of subsequent decisions.}{115}

In *Sundance*, the patented technology was not a small component of the infringing product and the plaintiff argued that the infringing sales would damage his relationship with his licensees. The court rejected that argument, “it cannot be said that Sundance's licensees are losing sales to DeMonte expressly because of its infringement of the segmented cover. It is possible that lost sales are due to a desire for other features of the Quick Draw system or are sales lost to other competitors in the marketplace. Sundance simply cannot tie alleged lost sales to the nature of DeMonte's infringement.”\footnote{Other district courts faced with similar facts, have}{116}


\footnote{George M. Newcombe, et.al, *Practitioner Note: Prospective Relief for Patent Infringement in a Post-eBay World*, 4 N.Y.U. J. L. & Bus. 549, 559 (Spring 2008) (“Since eBay, at least 30 permanent injunctions have issued. In all but two [Sundance and Commonwealth Scientific] of these cases, the infringer was a direct horizontal competitor plaintiff patentee. Conversely, in six of the seven cases where the patentee and infringer were not direct-horizontal competitors, the courts initially denied a permanent injunction. Thus, the emerging general rule appears to be that a patentee who competes in the market with the adjudged infringer will likely be awarded a permanent injunction while a patentee that does not compete with the infringer, but merely licenses its intellectual property, will likely not be awarded a permanent injunction.”); See also, Douglas Ellis, *The The Economic Implications (and Uncertainties) of Obtaining Permanent Injunctive Relief After eBay v. MercExchange*, 17 Fed. Cir. B.J. 437 (2007) at 452 (The court in *Sundance* considered the activities of a non-exclusive licensee that joined the suit….In *Sundance Inc. v. DeMonte Fabricating Ltd.*, the plaintiff had licensed its patent to what appears to be multiple unrelated, non-exclusive licensees. The court initially denied their request for a permanent injunction, but later granted the injunction in another proceeding on unrelated grounds (i.e., concern about the defendant's ability to pay).) (at footnote 35 Ellis lists Sundance as one of the cases in which an injunction was granted.).}{115}


granted injunctive relief finding that plaintiff and defendant were competitors with regard to the product or the market generally. In November of 2008, one court specifically rejected this strict requirement of proof, requiring only that the plaintiff demonstrate a “credible case” that there was irreparable injury and would continue to be.

Discussing whether there was an adequate remedy at law, the Court held, “Sundance licenses the 109 patent to others and offered to license it to DeMonte prior to filing suit against it, thus demonstrating that money damages are adequate. Their conduct against DeMonte and others indicates an interest only in obtaining money damages against accused infringers.” In other cases in which the plaintiff was willing to license the court nonetheless held that money damages would not be an adequate remedy at law. Interestingly, on reconsideration, October 19, 2007, the Court, granted the injunction; but rather than relying on irreparable harm it relied on “changed circumstances,” which, according to the Court, warranted the issuance of an injunction.


121 Sundance, 2007 U.S. Dist. LEXIS 158, at *4-9 (At the time, defendant’s financial stability was in question and consequently it was not clear whether the defendant would be able to satisfy the money judgment awarded Plaintiff as a remedy for the defendant’s prior infringement. Finally, on December 24, 2008, the Federal Circuit determined that the patent at issue was invalid for obviousness and the injunction issue became moot).
Also during this first year post-eBay, the Western District of Oklahoma denied an injunction in *Voda*.\(^{122}\) The plaintiff was a licensor of certain patents which described an angioplasty guide catheter and the inventive technique for using the catheter to perform angioplasty. According to the *Voda* court, “any harm would have been directed at plaintiff’s licensee, Scimed, not plaintiff…. Moreover, other than the presumption of irreparable harm, plaintiff identifies no harm to himself; rather, he relies on alleged harm to a non-party, Scimed”.\(^{123}\) The court rejected plaintiff’s argument that its relationship with its exclusive licensee would be damaged, “that argument is simply the other side of the right to exclude coin and is not sufficient to justify granting injunctive relief.”\(^{124}\) This reasoning has been rejected by subsequent district court decisions.\(^{125}\) In addition, Douglas Ellis aptly points out that, prohibiting a patent holder, like the one in *Voda*, from obtaining an injunction unless its licensee joins the action, “provides licensees with an opportunity to renegotiate their licensing terms if the terms of the initial deal were less favorable ex post than was expected ex ante. Simply put, if the terms turn out to be a favorable deal … then the licensee may join the patent holder in obtaining a permanent injunction against an infringer.”\(^{126}\)

In the next year (May 2007 to May 2008) there were three cases denying injunctive relief, none of those denials was based on plaintiff’s failure to prove irreparable harm. In *Respironics*.\(^{127}\)


\(^{125}\) Novozymes A/S v. Genencor Int’l Inc., 474 F. Supp. 2d 592, 612-613 (D. Del. 2007) (perm. inj. granted, plaintiff was licensor and subsidiary was non-exclusive licensee).


and **Nichia**\(^{128}\) the denials were based on plaintiff’s failure to prove a likelihood of future infringement. The **Innogenetic’s**\(^{129}\) denial was based on the fact that the jury awarded a royalty which included a market entry fee; therefore, the defendant was entitled to continue to practice the invention.

In the most recent year (May 2008 to April 2009) there were five cases in which injunctive relief was denied.\(^{130}\) Two from the District of Delaware, (another U.S. Dist. Judge Robinson denial,\(^{131}\) and one by Chief U.S. District Judge Gregory M. Sleet citing U.S. Dist. Judge Robinson’s reasoning\(^{132}\), two from the Northern District of California, and one from Arizona.\(^{133}\) Of those decisions one was a case in which the patent holder was seeking a compulsory license and not an injunction,\(^{134}\) and two were cases involving medical technology in

---

\(^{128}\) Nichia Corp. v. Seoul Semiconductor, Ltd., No. 06-0162 MMC, 2008 U.S. Dist. LEXIS 12183, at 3-9 (N.D. Cal. Feb. 7, 2008)(perm. inj. denied). (injunction denied where there was insufficient evidence of future infringement. The defendant in that case had basically made one sale in the United States for $165.00 three years prior to the court addressing the issue of injunctive relief. According to the court the "purpose of an injunction is to prevent future violations").

\(^{129}\) Innogenetics, N.V. v. Abbott Labs., 05-C-0575-C, 2007 U.S. Dist. LEXIS 3148, at *1-11 (W.D. Wis. Jan. 12, 2007) (perm. inj. granted), aff’d in part, rev’d in part, remanded by Innogenetics, N.V. v. Abbott Labs., 512 F.3d 1363, (Fed. Cir. 2008) (injunction vacated and case remanded for setting of compulsory license based on Fed. Cir. finding that the royalty awarded by the jury included a market entry fee and therefore an injunction was not warranted).


\(^{131}\) Advanced Cardiovascular Sys. v. Medtronic Vascular, Inc., 579 F. Supp. 2d 554, 557-563 (D. Del. 2008)(Finding that the plaintiff failed to demonstrate irreparable harm but also finding that there was a compelling public interest in allowing the public choices in medical care).


which the public interest was a significant factor in the decision.\textsuperscript{135} In the other two cases the district courts found that the plaintiff failed to show irreparable harm.

In Advanced Cardiovascular\textsuperscript{136} (“ACS”) (D. Del. 2008) (U.S. Dist. J. Sue L. Robinson) the court held that denial of the injunction would not cause plaintiff irreparable harm. After scrutinizing the stent market; detailing the relationship between the overall stent market, the bare metal stent market and the drug-eluting stent market; discussing the role of other principal players in the stent market; and citing Morgan Stanley’s estimates regarding predicted changes in market share; the court concluded that, “though Medtronic appears to be gaining market momentum it appears to be not only at the cost of ACS, clouding the relationship between Medtronic’s infringement and ACS’s losses.”\textsuperscript{137} Further, “ACS has not identified any specific customers it has lost or stands to lose, directly as a result of Medtronic’s continued sales of infringing stents.\textsuperscript{138} On this basis, the court concluded that the issue of irreparable harm favored the defendant. In reaching this conclusion, the court relied on Praxair,\textsuperscript{139} and ignored other cases with multiple competitors in which the court found irreparable harm.\textsuperscript{140} With regard to the issue


\textsuperscript{137} Advanced Cardiovascular at 559.

\textsuperscript{138} Advanced Cardiovascular at 560.


of whether there is an adequate remedy at law, the court stated, because plaintiff was willing to license its patents in the past, money damages should be adequate. “Money damages are rarely inadequate in these circumstances, rather permanent injunctions are typically granted in two competitor situations where the patentee has demonstrated an unwillingness to part with the exclusive right.” 141 Again this reasoning conflicts with the decisions of numerous other courts which have held that future damages are difficult to quantify; and, therefore an injunction is the appropriate remedy. 142

Notably, in support of the argument that injunctions are granted in two competitor situations, the court cited Novozymes. 143 However, in Novozymes, the patent holder did not practice the patent but licensed it to a subsidiary as part of a non-exclusive license. While the court refused to allow the licensee to join the suit because of the non-exclusive nature of the license agreement, it characterized the licensor (patent holder) and the defendant (infringer) as “head to head” competitors. 144

Although the ACS court made a finding that the patent holder failed to show that, absent an injunction, it would suffer irreparable harm, the public interest factor may explain the court’s analysis. According to the court there is a strong public interest in maintaining diversity in the coronary stent market; plus, there was evidence in the record, that some physicians preferred the defendant’s stent. 145

141 Advanced Cardiovascular Sys., 579 F. Supp. 2d 560.
Telcordia Techs., Inc. v. Cisco Sys. ¹⁴⁶ (D. Del. Jan. 6, 2009) is one of four denial-of-injunction decisions, issued by the District of Delaware since the decision in eBay¹⁴⁷. The patented technology in that case related to telecommunication networks. The patent holder’s revenues were derived from licensing the technology, and the court held that plaintiff failed to provide evidence of irreparable harm, “such as lost sales, licensing or research and development opportunities.” The court stated, “infringing one's right to exclude, alone, is insufficient to warrant injunctive relief.”¹⁴⁸ The court rejected Telcordia’s argument that, it's, "leverage in the market will be harmed if it cannot advise potential licensees that infringement of its patents can result in a permanent injunction,”¹⁴⁹ The court called that claim, “nothing more than attorney argument.”¹⁵⁰ This decision arguably conflicts with other decisions that have addressed these issues.

On February 23, 2009, the District Court for the Northern District of California, U.S. Dist. J. Ronald M. Whyte, denied equitable relief to a successful patent plaintiff in Hynix Semiconductor¹⁵¹ (N.D. Cal. Feb. 23, 2009). In that case Rambus held the patent on certain dynamic random access memory (“DRAM”) interface technology, the patent was found valid and infringed; Rambus moved for injunctive relief. Hynix, the infringer, derived its revenue from the manufacture and sale of DRAM, not a small component of the patented technology. Rambus

---

¹⁴⁸ Telcordia Techs., Inc. v. Cisco Sys., 592 F. Supp. 2d at 748, citing eBay 126 S.Ct. at 1840.
¹⁴⁹ Id. at 748.
¹⁵⁰ Id. at 748.
derived its revenues from licensing DRAM. The court discussed, at length, a multitude of details regarding the nature of the patented technology ultimately; it concluded that Rambus failed to prove that it would suffer irreparable harm without the injunction.

Interestingly, the court began its analysis of the issue of equitable relief as follows, “like cases should be treated alike, and centuries of equity practice shepherd this court’s exercise of its power to enjoin infringement.”\textsuperscript{152} When it discussed the issue of irreparable harm, the court found that there was real future harm to Rambus, in the battle over the next memory interface standard; but, that the “weight of such harm is small [emphasis added].”\textsuperscript{153} The court then asked whether that harm was compensable by money damages, and concluded that, “It is not, when Rambus loses a design win to an infringing alternative, its realistic alternative is to license its patents to the users of the infringing standard. While Rambus may collect royalties from such licensing, Rambus is shut out of the ‘innovation loop.’”\textsuperscript{154} Finally in discussing the issue of loss of market share the court acknowledged that Rambus would suffer loss of goodwill in the event that an injunction did not issue. The court then discussed Rambus’s claim that it would also suffer irreparable harm in the form of diminished royalties, harm to research and development and damage to its image as an innovator. It acknowledges that “Rambus’s argument has initial appeal; and, it was adopted to support an injunction in Commonwealth Scientific;”\textsuperscript{155} but, the court goes to great effort to distinguish Commonwealth Scientific and Broadcom and ultimately concluded that no injunction should issue.\textsuperscript{156}

\textsuperscript{152} Hynix Semiconductor, 2009 U.S. Dist. LEXIS 13530 at *41.
\textsuperscript{153} Hynix Semiconductor, 2009 U.S. Dist. LEXIS 13530 at *87.
\textsuperscript{154} Hynix Semiconductor, 2009 U.S. Dist. LEXIS 13530 at *87.
\textsuperscript{155} Hynix Semiconductor, 2009 U.S. Dist. LEXIS 13530 at *91.
The key to this decision may be in the court’s analysis of the balance of hardships, “by the time Hynix became aware of Rambus’s asserted patents Rambus’s technologies were entrenched in the industry standard DRAM interface. …The lock-in resulted in large part because Rambus did not disclose, and in fact did not obtain the patents in suit, until its efforts to establish RDRAM as the industry standard faltered and the JEDEC standards had enjoyed nearly five years of success.”

V. Conclusion: Most Courts, in 2009, Relying on an Expanding Definition of Competition Between the Parties, Impose a Permanent Injunction Against Patent Infringers. This Practice Signals a Shift Back to the Pre-eBay Treatment of Permanent Injunction Requests in Patent Infringement Actions.

Prior to the U.S. Supreme Court’s eBay decision there was a “general rule that courts will issue permanent injunctions against patent infringement absent exceptional circumstances.” The eBay Court rejected this principle and held that the proper test for determining whether to impose an injunction against a patent infringer is the standard four-factor test for evaluating equitable relief.

The result was an immediate spike in the number of cases in which injunctions against patent infringers were denied. Generally those denials were based on the plaintiff’s failure to demonstrate irreparable harm. Rather than relying on a presumption of irreparable harm, as the pre-eBay courts generally did; post-eBay decisions evaluated irreparable harm, in large measure, based on the degree of competition between the parties.

In the first year following eBay, the definition of competition between the parties was narrow. Parties were described as competitors when they when they were in direct competition, ie: had the same customers and the sale of products to one party would have a negative impact on

---

the sale of products to the other party.\textsuperscript{159} Evidence of competition, and thereby irreparable harm, in those early cases was limited to loss of market share or the like: price erosion, lost profits, loss of brand name recognition, loss of goodwill.\textsuperscript{160} Notably, when there was direct competition between the parties courts gave the \textit{inadequate remedies at law} prong an expansive scope, including the loss of the right to exclude and the inability to calculate future profits.\textsuperscript{161}

Over time, the definition of \textit{competition between the parties} has been expanding; and expanding along with it, has been the scope of what constitutes \textit{irreparable harm}. In the second year following eBay, a Texas district court granted an injunction in favor of a non-practicing


\textsuperscript{160} Id.

entity. Later, a California court granted an injunction based on market competition, not just product competition, specifically holding, “one need not necessarily be a direct competitor in order to secure an injunction.” The district court in Oregon granted an injunction to a patent holder that was one of a number of competitors in a particular market and had licensed the patented technology to other competitors.

In the third year post-eBay the definition of competitor expanded even further. In the District of Delaware a court granted the patent holder a permanent injunction although it had ceased manufacturing the product embodying the patented technology. In so doing the court relied, in part, on the fact that the parties were competitors at the market level (rather than at the product level). In the Northern District of Georgia a permanent injunction against a patent infringer was granted despite the fact that the corporate defendant was dissolved and its principle was incarcerated. The court held, “especially when an infringing company is not actively selling the offending product, the harm to a patent-holder may seem esoteric.” Nonetheless, the court considered the parties competitors and granted plaintiffs request for an injunction. The district court in New Jersey found irreparable harm although the patent holder had ceased operating and was in the process of liquidating its assets through a bankruptcy proceeding. It granted the

---

injunction recognizing that in order for the patent holder to maximize the value of the patent, there would have to be an injunction against infringement. 167

The District Court in the Eastern District of Texas, in a decision regarding a requested stay of the proceedings, recently confirmed its view that patent holders which are also non-practicing entities may be entitled to permanent injunctive relief, “BarTex may still be entitled to a permanent injunction, even though it does not practice its patent.”168

The eBay decision has had a significant impact on the analytical process courts use to determine whether a patent holder is entitled to an injunction. Every case since the eBay decision to consider a request for equitable relief, contains an evaluation of the facts of the case in view of each of the four elements of the traditional four factor test for equitable relief. If such an analysis is not present and an appeal is taken, the Federal Circuit will remand the case for further proceedings.

Although the eBay decision has had a significant and lasting impact on the process courts use to evaluate whether to grant equitable relief, it has not had a significant and lasting impact on the outcome of those decisions. A close analysis of the post-eBay cases reveals, that in most jurisdictions courts have returned to the pre-eBay practice of generally granting injunctions against patent infringers. In the first year after the eBay decision there was a noticeable spike in the number of cases denying injunctive relief. Those decisions, relying on a narrow definition of competition between the parties, often found that the patent holder had failed to demonstrate that it would suffer irreparable harm unless an injunction was issued. In recent years though, the scope of what courts find constitutes competition between the parties and thereby irreparable

168 Bartex Research, LLC v. FEDEX Corp., 611 F. Supp. 2d 647, 652 (E.D. Tex April 20, 2009.)(request for stay denied, BarTex may be entitled to permanent injunction even though it does not practice its patent).
harm, has been expanding; and, as a result, the number of cases in which a patent holder is
denied permanent injunctive relief has diminished. Today, in most jurisdictions, proof of patent
infringement will generally, absent a compelling public interest concern, result in the imposition
of a permanent injunction against the infringer.
Cases are listed by the date of the district court decision unless the decision was reversed on appeal and the reversal was based on the issue of equitable relief. In that situation, the case is listed by the date of the appellate court decision. The cases listed in parentheses are ones in which the request for injunctive relief was denied.

*Injunction denied based on the courts determination that there was no likelihood of future infringement.

** Injunction denied without prejudice, so not a final order. Decided by Judge Sue Robinson, District of Delaware.

*** Injunction denied based on the fact that the juries royalty award included a market entry fee.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(eBay)*</td>
<td>(Z4)*</td>
<td>(Finisar)*</td>
<td>(Paice)*</td>
<td>(Voda)*</td>
<td>Smith &amp; Nephew</td>
<td>Black &amp; Decker*</td>
<td>Trans Ocean*</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wald*</td>
<td>Am Seati*</td>
<td>3M*</td>
<td>Litecubes*</td>
<td>Tel-equip*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Sundance)*</td>
<td>Atlanta AT*</td>
<td>02Micro*</td>
<td>MGM Well*</td>
<td>CSHO**</td>
<td>Muni-Auction**</td>
<td>Johns Hopkins**</td>
<td>Baden Sports**</td>
<td>Martek**</td>
<td>Acumed**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MPT***</td>
<td>Novozymes***</td>
<td>Ortho-Mcneil***</td>
<td>800 Adept***</td>
<td>Brook-Trout***</td>
<td>Allan Block***</td>
<td>Verizon***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(IMX)**</td>
<td>(Praxair)**</td>
<td>Sanofi***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Respironics)*</td>
<td>Broadcom*</td>
<td>Power One***</td>
<td>Trading Tech***</td>
<td>True Position*</td>
<td>(Adv. Cardio Vascular)*</td>
<td>(Boston Scientific)*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Innogenetics)**</td>
<td>(Nichia)**</td>
<td>Fresenius**</td>
<td>Emory***</td>
<td>Amgen*</td>
<td>Callaway***</td>
<td>Power Intgrtns***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mannatech*</td>
<td>Becton*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Philips***</td>
<td>(Hynix)*</td>
<td>Kowalski*</td>
<td>Mass Eng***</td>
<td>Ecolab***</td>
<td>i4i***</td>
<td>Finjin***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Telcordia)*</td>
<td>Joyal***</td>
<td>(Bard)**</td>
<td>TransA***</td>
<td>Extreme Netwrks***</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funai**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
z4 Techs., Inc. v. Microsoft Corp., 434 F. Supp. 2d 437, 438, 445 (E.D. Tex. 2006) (perm. inj. denied) aff'd by z4 Techs., Inc. v. Microsoft Corp., 507 F.3d 1340 (Fed. Cir. 2007);
KEG Techs., Inc. v. Reinhart Laimer, 436 F. Supp. 2d 1364, 1371, 2006 U.S. Dist. LEXIS 37726 (N.D. Ga. 2006) (parties requested to present evidence in consideration of the eBay decision, following which a consent order for permanent injunction entered July 24, 2006);
Telequip Corp. v. Change Exch., No. 5:01-CV-1748 (FIS/GJD), 2006 U.S. Dist. LEXIS 61469, at *2-6 (N.D.N.Y. Aug. 15, 2006) (perm. inj. granted);

xxx Novozymes A/S v. Genencor Int'l Inc., 474 F. Supp. 2d 592, 612-613 (D. Del. 2007) (perm. inj. granted);
xxix IMX, Inc. v. Lendingtree, LLC, 469 F. Supp. 2d 203, 223-226 (D. Del. 2007) (perm. inj. denied without prejudice);
lxvii Transamerica Life Insurance Co. v. Lincolnd National Life Ins. Co., 625 F. Supp. 2d 702 (N.D. Iowa June 8, 2009)(perm. inj. granted);